

Mick Watson
Head of Regulatory Finance Reporting
Systems & Networks
Ofgem
10 South Colonnade
London E14 4PU

4th September 2020

Dear Mick,

Re: Managing network charge bad debt – proposal enabling networks to recover potential bad debts arising from COVID-19 related deferred network charge payments and to introduce an enduring solution to bad debt recovery in general.

I am writing on behalf of the Gas Distribution Networks (GDNs), who are members of the Energy Networks Association, and in response to your open letter of 7th August 2020 setting out options for enabling networks to recover any potential bad debts arising as a direct result of the network payment deferral scheme in the regulatory year 2021/22.

The GDNs' support the introduction of an appropriate mechanism to ensure timely recovery of bad debt arising and protection for customers with ultimate liability for gas transportation charges. We welcome Ofgem's consideration of the options detailed in the open letter and this opportunity to provide comment. As follows:

Q1: Do you agree that our proposals would allow the recovery of bad debts, by network licensees, relating to Network Charge Deferral scheme (COVID-19) in 2021-22?

We would agree that, in principle, Option 3 would allow recovery of COVID-19 Bad Debt in Regulatory Year 2021/22, subject to the drafting of the licence condition and the relevant formulae being appropriate.

We believe that Ofgem should consult on the principles to be applied to the treatment in the RIGs of the "true-up" of the COVID-19 Bad Debt amount via the Revenue Reporting Pack at the same time as the statutory consultation on the licence modifications.

Q2: Do you agree with the introduction of a pass-through term in the RIIO-2 licence as an enduring solution for the recovery of bad debt?

We are supportive of a specific term being introduced under Ofgem's preferred option 3. It is our preference that this condition is introduced in the current GD1 price control period (enabling recovery of any bad debt associated with the COVID-19 network payment deferral scheme) rather than as part of GD2 licence conditions, recognising these may be subject to delay.

We would very much welcome the opportunity to discuss our comments in more detail.
Please contact Paul McGimpsey (paul.mcgimpsey@energynetworks.org) to arrange this.

Yours sincerely,

A handwritten signature in blue ink that reads 'David Smith'.

David Smith
Chief Executive